

# EXHIBIT

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Ponca City Pharmacy

July 26, 2013

McKesson Meeting: Talking Points – Ponca Response

**5/20/13**

**Reports of orders refused by store:** There was one report of a store refusing an order. Addressed this with the store and UPS management addressed it with the driver.

**Shipments not getting to pharmacy:** Had a few isolated cases (2 or 3) where the UPS driver delivered to the stores receiver and not directly to the Pharmacy. This was addressed immediately by UPS management with their drivers. This has not been a problem since the first two weeks of operation.

**Receiving clerk opening controls and rejection of orders:** A retail receiver opened the controls bag and the pharmacy refused the order without checking the contents. The order was returned to Ponca City. The order was audited and found to be intact with no product missing. Same order was reshipped to the store.

**6/6/13**

**Still having problems with Ponca cutting orders based on “gut feel”:** There were one or two stores that were ordering very high quantities of CII drugs. In some cases 4 times as many as any other store. As required by DEA law we challenged the quantities and cut them back. After receiving confirmation from retail that the quantities were in fact legitimate we stopped cutting the orders on 6/3/13. No orders were cut after that date. Note: Walgreens recently received a 10 million dollar fine and their distribution center was closed because not enough attention was being paid to suspicious order quantities at the distribution center level. At Ponca our IT department has written a program to help us identify orders that are 20% over the normal order quantity. This information will be sent to Scott Johnson and his team to review. Our “Gut Feel” is for the protection of the company.

**Still cannot ship to WY or IN until Ponca receives VAWD Certification:** VAWD accreditation is an extensive process that includes an onsite inspection and Q and A screening session through the National Association of Boards of Pharmacies Clearinghouse, background checks, security check and examination of best practices for safe distribution. VAWD = Verified Accredited Wholesale Distributors. Because we have applied for the accreditation Wyoming has started to process our license and we may receive a permit to ship to our 10 Wyoming stores while the accreditation process is continuing. This will only leave the 4 Illinois stores. We are hopeful that as we get further into the process they may be agreeable to start the licensing process.

**EXHIBIT  
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**Controlled Substance Ordering System (CSOS) is not up and running resulting in pharmacy teams taking the path of least resistance and ordering from McKesson.** Marc Allgood and the Boise IT team have indicated this system will require a large amount of programing to put it into place in Ponca. We are told it will be two months, possibly more before it will be completed. The current system we use to handle the 222 forms is to manually hand write the forms both in the store and at the distribution center. The forms must travel via US Mail and is a very slow process. Additional costs are being incurred at the DC and the pharmacies for this arduous process.

**Controlled substance orders continue to be shipped to wrong stores:** When the pharmacy operation started in Ponca the control drugs were being merged with the pharmacy orders at the Air Freight station. We discovered there were occasional problems with merging the proper control order with the proper pharmacy order. Listed are the control drug issues we have experienced in Ponca.

6/3 Store 6165 received store 6160 controls. Store 6165 controls never surfaced

6/12 Store 6336 reported a control shortage. Our inventory was correct and with the assistance of Barb Wozniak they filled out a DEA 106 form.

6/14 Store 7855 received Store 7809's CII order. Merging issue

6/17 Store 6758's controls were shipped to 7572. Merging issue

6/18 Store 6706 controls never arrived at the store. Merging issue

Because of the noted issues the control drugs are no longer merged with the pharmacy orders. On 6/27/13 we started shipping the control drugs in a separate box. Doing this has completely eliminated the problem.

On 7/6/13 our box supplier ran out of the boxes we use for this purpose and started merging orders. During this short time we experienced 2 merging errors.

7/8 Stores 7517 and 7515 CII orders were shipped to each other. This was a merging issue.

7/9 Stores 3374 and 3474 received each other's controls. This was a merging issue.

On 7/10/13 we received the control boxes, stopped merging orders and have not had any shipping errors.

**Packaging of temperature sensitive product is insufficient which results in increased shrink, higher COGS at McKesson and reduced customer service.** There were two issues when we first started shipping refrigerated product and another that was the result of a plane delay caused by an Oklahoma tornado. To ensure the quality of the product being shipped, temperature recorders are used at selected stores. This was started on 6/3/13. Danny Williams, Warehouse Superintendent, is working with Tony Dalmonte, Pharmacy Operations Manager to handle any complaints of temperature problems. Tony helped choose the stores we would be testing. All the results from the recorders have been good. The only problem we have had since early on in the operation was on 7/23/13 when Tony called Danny and

said that store 3156 felt their product was not as cool as it should be. Danny followed up with the store and spoke to Marcy in the pharmacy. She said the product was cool enough but thought it was close to borderline. Danny will follow up with a temperature recorder on their order. The refrigerated product is packed in an insulated bag with an ice pack. We are not hearing of any temperature problems other than what was mentioned.

**Ponca system is not able to print state specific controlled substances on a controlled substance invoice (Illinois).** I.T. is working to find a solution. Until the solution is found the stores are making a copy of the invoice and are highlighting the items and placing the copy in their control drug files. This has not interfered with the shipping of these products from Ponca.

In summary the Ponca Pharmacy operation has shipped 11,764 pharmacy orders since the operation began. This represents nearly 27,000 boxes of freight. Noted above were 7 control issues and 2 or 3 temperature problems and another 4 or 5 minor issues. If there were 15 issues since we started then our successful shipping percent is 99.87%. Our goal is to be responsive to any problem we may encounter and to ship high quality products free of any damage and accurate to support our retail teams in the Pharmacies.

Thanks,

Jack

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